

Message Text

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SUBJECT: CURRENT STATUS OF SOUTH AUSTRALIA'S REDCLIFFS PROJECT

REF: MELBOURNE 1439 DEC 6, 1974, AND PREVIOUS

1. SUMMARY: THE CONTINUING STORY OF PROJECTS INVOLVING UTILIZATION OF COOPER BASIN NATURAL GAS, WENDS ITS TORTURED "ON AGAIN/OFF AGAIN" WAY TOWARD A STILL UNCERTAIN SOLUTION. END SUMMARY.

2. ON A RECENT VISIT TO ADELAIDE THE CHIEF COMMERCIAL OFFICER DISCUSSED, WITH KEY PRINCIPALS, THE PRESENT STATUS OF THE VARIOUS PROJECTS PLANNED TO TUILIZE COOPER BASIN GAS, THE MOST IMPORTANT OF WHICH IS THE PETROCHEMICAL COMPLEX AT REDCLIFFS. EACH PERSON. LIKE THE FABLED BLIND MEN AND THE ELEPHANT, HAD HIS OWN PARTICULAR PERSPECTIVE, BUT THE CONSENSUS WAS THAT REDCLIFFS, THOUGH AT ITS NADIR, APPEARS TO HAVE SOME LIFE LEFT AND MIGHT POSSIBLY BE ON THE ASCENT.

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3. REX CONNOR, THE FEDERAL MINISTER FOR MINERALS AND ENERGY, AND MAIN PROTAGONIST, APPEARS TO HAVE BEEN CONVERTED TO THE REDCLIFFS CAUSE, PARTICULARLY SINCE HIS PURCHASE FOR THE GOVERNMENT'S PETROLEUM AND MINERAL AUTHORITY, OF HALF INTEREST IN DELHI INTERNATIONAL'S COOPER BASIN HOLDINGS. DELHI WAS FORCED TO SELL BECAUSE IT NEEDED FUNDS TO CONTINUE OPERATIONS AND WAS PREVENTED BY CONNOR FROM SELLING TO THE ONLY OTHER INTERESTED PURCHASER, THE AQUITAINE COMPANY OF FRANCE. CONNOR'S APPARENT REVERSAL, HOWEVER, HAD NOT AFFECTED SOME OF THE FORCES HE SET IN MOTION DURING HIS PERIOD OF OPPOSITION AND, THEREFORE, SOME, PARTICULARLY THE ENVIRONMENTALISTS, ARE STILL AGAINST REDCLIFFS ON THE BASIS THAT THE SITE IS INAPPROPRIATE. IN ADDITION, CONNOR STILL HAS NOT REMOVED HIS TREE CONDITIONS, I.E.: 51 PERCENT AUSTRALIAN OWNERSHIP; A BAN ON THE EXPORT OF LPG; AND ALKYLATION OF THE LPG INTO GASOLINE. ALTHOUGH A NUMBER OF FIRMS HAVE BEEN RUMOURED PARTNERS IN THE 51 PERCENT AUSTRALIAN SHARE, NONE TO DATE HAD ACTUALLY SIGNED A CONTRACT. HOWEVER, IF THE PROJECT DOES GET OFF THE GROUND, A CONSORTIUM OF AUSTRALIAN INSURANCE COMPANIES WILL PROVIDE THE NECESSARY CAPITAL.

4. DURING OCTOBER/NOVEMBER, 1974, REDCLIFFS ALMOST MATERIALIZED, BUT FAILED BECAUSE OF PROBLEMS IN PRICING THE NATURAL GAS FEEDSTOCK. IN FACT, THIS KEY FACTOR WILL KEEP THE PROJECT STALEMATED UNTIL A NEW PRICE CAN BE DETERMINED. OTHER COMPLICATIONS INCLUDE THE NONWILLINGNESS OF FEDERAL MINISTERS TO ALLOCATE FUNDS TO THE SOUTH AUSTRALIAN GOVERNMENT FOR COSTS IT IS UNABLE TO HEAR, COVERING MAJOR INFRASTRUCTURE WORK, SUCH AS THE THERMAL POWER PLANT AND WORKER HOUSING. AN ADDITIONAL COMPLICATION IS THE CONSORTIUM'S (ICI, MITSUBISHI AND ALCOA) DISINCLINATION TO USE LAKE TORRENS' SALT, PREFERRING INSTEAD THE BHP BEDS AT WHYALLA. THIS IS COUNTER TO DELHI'S INTERESTS, FOR IT CONTROLS (WITH SANTOS) THE COOPER BASIN GAS, AS WELL AS THE LAKE TORRENS SALT.

5. COMMENT: IT IS ALMOST IMPOSSIBLE TO PREDICT THE FINAL OUTCOME OF REDCLIFFS AND RELATED PROJECTS. COSTS HAVE INCREASED FROM AN ORIGINAL ESTIMATE OF A\$350 MILLION TO A PRESENT PROJECTION OF A\$700 MILLION AND A\$800 MILLION. IT LIMITED OFFICIAL USE

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IS CONCEIVABLE THAT CONNOR, HAVING ACQUIRED PART OWNERSHIP FOR THE FEDERAL GOVERNMENT, WILL UNDERSTAND THE NECESSITY TO ENSURE ITS COMMERCIAL VIABILITY. DUNSTAN, WHO, AS PREMIER OF SOUTH AUSTRALIA, HAS THE HEAVY RESPONSIBILITY FOR MAINTAINING ECONOMIC VIABILITY IN HIS STATE, WILL CERTAINLY MAINTAIN HIS PRESSURE ON CONNOR. RUMOUR HAS IT THAT MITSUBISHI AND ICI ARE LOSING INTEREST AND MAY LEAVE ALCOA TO PICK UP THE PIECES FOR A PROJECT

WHICH THE LATTER WAS NEVER TOO HAPPY ABOUT IN THE FIRST PLACE. INSIDERS SPECUALTE THAT DUNSTAN MIGHT ASK DOW TO RE-SUBMIT ITS BID, AND THAT THIS TIME DOW WOULD AGREE TO THE 51 PERCENT AUSTRALIAN EQUITY CONDITION, WHICH IT HAD EARLIER REFUSED TO DO. TO ESTIMATE WHEN, OR IF, ALL THESE PIECES WILL FALL INTO PLACE, REQUIRES MORE PROGNOSTIC EXPERTIESE THAN IS PRESENTLY AVAILABLE.
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